



**Director of
Central
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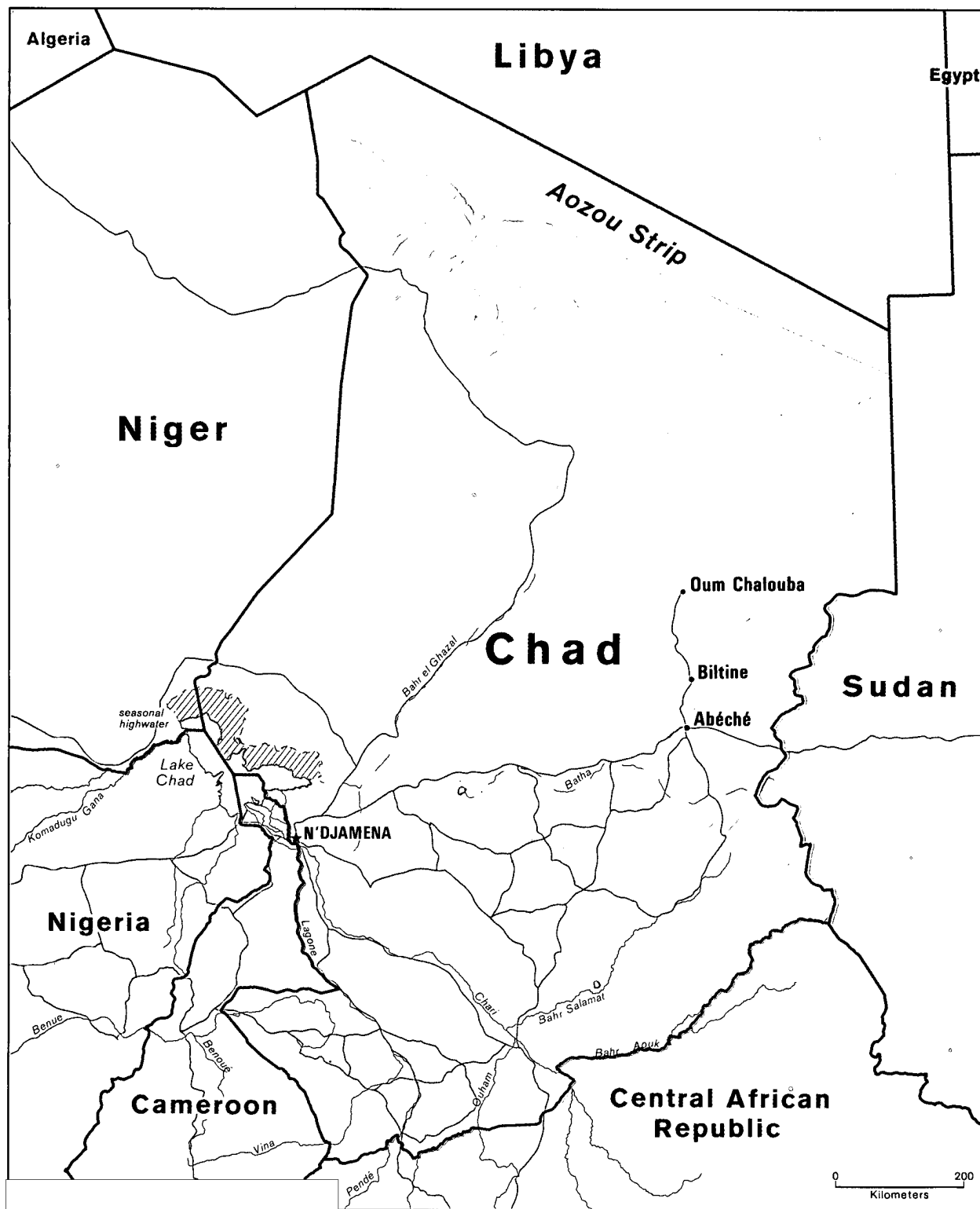
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CHAD: Military and Political Activity

President Habre's government yesterday claimed that its forces were counterattacking at Oum Chalouba. [redacted]

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Officials in N'Djamena say government troops withdrew from Oum Chalouba to Biltine and were reinforced by a 200-man column from the western front. Habre has about 2,000 men protecting the road to N'Djamena and slightly fewer in the east to defend Abeche. Both groups, however, are spread out and poorly equipped. [redacted]

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OAU Chairman Mengistu reportedly plans to convene the organization's summit bureau on 15 July to discuss Chad. He has not responded to Habre's call for the OAU's ad hoc committee on Chad, which is chaired by the pro-Habre President of Gabon, to visit the country. [redacted]

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Comment: France is counting on Habre's defensive lines and the rains to buy time for reorganizing and reequipping government forces. The rainy season has begun in N'Djamena but has not yet started farther north or east. [redacted]

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Regional and ethnic tensions will continue to increase as long as the dissidents hold the military initiative. Habre's associates will be increasingly suspicious of any signs that Habre is concentrating more control in the hands of his own northern tribesmen. [redacted]

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Mengistu's decision to convene the bureau rather than the more pro-Habre ad hoc committee may be an effort to avoid a move by the OAU that would jeopardize his relationship with Libyan leader Qadhafi. Moreover, the limited time allotted to the meeting suggests little chance that definitive action will be taken. [redacted]

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USSR: Gorbachev's Increased Responsibilities

General Secretary Andropov appears to be relying on Mikhail Gorbachev, the youngest Politburo member and the secretary in charge of agriculture and the food program, to handle some important internal political matters as well. [REDACTED]

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Gorbachev has been involved in three major personnel appointments since the Soviet party plenum last month. On 21 June he addressed a plenum of the Leningrad Regional Party Committee when it was electing a replacement for Gorbachev's Politburo colleague Grigoriy Romanov. On 24 June, at a session of the Supreme Soviet of the Russian Soviet Federated Socialist Republic, Gorbachev nominated and conducted the election of Politburo candidate member Vitaliy Vorotnikov as RSFSR Premier. [REDACTED]

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He has been associated with Georgiy Razumovskiy, 47, who was elected on 28 June to replace Vorotnikov as the party chief of the Krasnodar region. [REDACTED]

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Comment: Gorbachev's role in these major appointments suggests that Andropov, at least for the time being, has delegated general oversight of party personnel placement to him. Andropov apparently has chosen him over the other two senior party secretaries, Konstantin Chernenko and the newly appointed Romanov. [REDACTED]

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Gorbachev, at 52, is the youngest and increasingly one of the more powerful members of the leadership, and Andropov evidently has chosen him as a key ally. In April Andropov gave a strong boost to the national food program that Gorbachev oversees, and he probably was the one who chose him as the Lenin Day speaker the same month. A Soviet middle-level official said in May that Andropov values Gorbachev's modern ideas in agricultural management and in other areas of the economy. [REDACTED]

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MEXICO: Food Subsidies Cut

Cuts in food subsidies this week will help Mexico meet budget goals but also will help unify opposition to the austerity measures required by the IMF. [redacted]

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With lower subsidies, the price of bread doubled for the consumer and that of tortillas increased by 41 percent. Government officials indicate subsidies for corn and wheat will still cost \$500 million during the remainder of the year. [redacted]

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To maintain essential food supplies through September, financial and agricultural officials expect that an additional \$500 million worth of imported food will be needed. Because drought and low farm support prices caused grain production to drop last year, Mexico has had to increase food imports substantially. As a result, it has used the entire \$1.2 billion credit for this fiscal year from the US Commodity Credit Corporation. [redacted]

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Public reaction to the price increases so far has been subdued. Higher prices were expected with the expiration of the six-month price freeze on food staples and on public transportation, which was part of the wage settlement last December. No change was announced in bus, subway, or rail fares. [redacted]

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A new alliance of 100 leftist groups is protesting the price hikes. Its spokesmen predict the number of malnourished residents in Mexico City would rise from 5 to 8 million. The alliance is calling on the administration to raise wages, abandon the IMF program, and repudiate the foreign debt. [redacted]

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Comment: The decision to cut subsidies demonstrates President de la Madrid's willingness to take tough measures to stay in compliance with the IMF program. [redacted]

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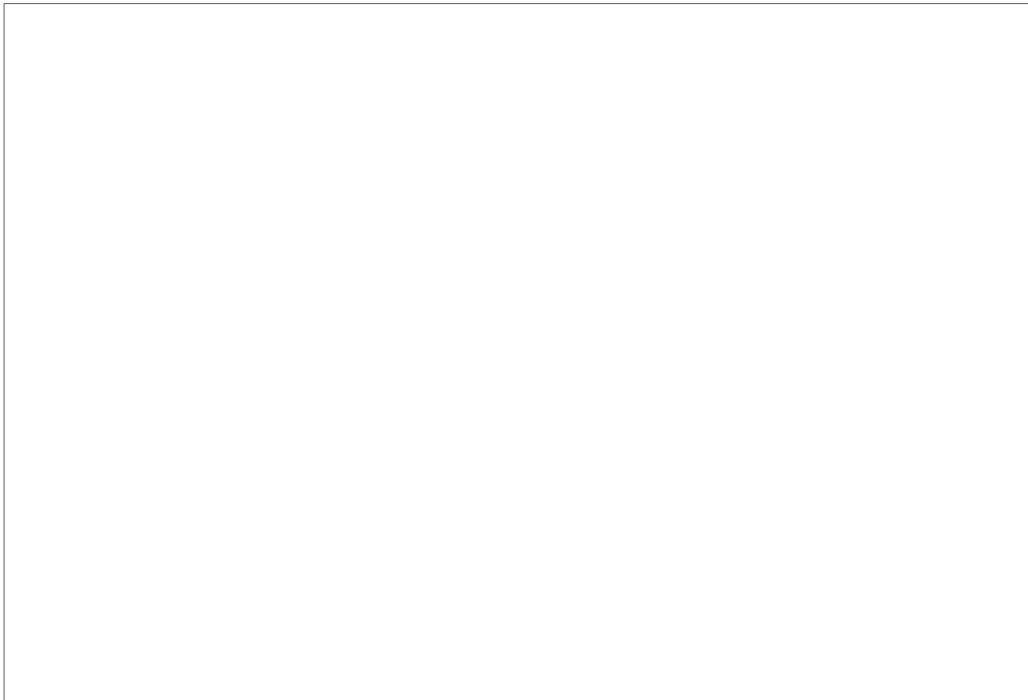
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USSR-CHINA: Gromyko Receives Chinese Ambassador

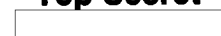
TASS reports that Foreign Minister Andrey Gromyko received Chinese Ambassador Yang Shouzheng in Moscow yesterday to discuss "issues of mutual interest." Gromyko has seen the Ambassador on several occasions within the past year, but this is the first time since late 1979 that the Soviets have publicized a meeting of this sort. 

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Comment: The discussions probably focused on state-to-state issues and may have involved working out details of the agenda for Deputy Foreign Minister Kapitsa's visit to Beijing next month as a guest of the Chinese Government. Gromyko and the Ambassador also may have used the session to advance preparations for the next round of bilateral consultations, which are scheduled to be held in Beijing in late September or October. 

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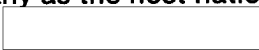
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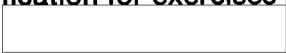

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**USSR-EAST GERMANY: Exercise Announced**

Military authorities in Moscow announced on Monday that a troop training exercise involving 26,000 men will be conducted by Soviet ground and air forces in southern East Germany between 25 and 30 July. The Soviets gave the minimum 21-day notification before commencement of the exercise, as required by the Helsinki Accords. They said that, although East Germany as the host nation could invite observers, it does not plan to do so. 

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Comment: The exercise is large enough to involve the major elements of two divisions in an army-level exercise. In recent years exercises involving two divisions have been rotated among the five Soviet armies in East Germany primarily during the summer training cycle, and the impending exercise may involve the 8th Guards Army. Prior notification for exercises in 1978 and 1980 also was provided as required. 

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ARGENTINA-BRAZIL-UK: Dispute Over Refueling

[redacted] 25X1
[redacted] Brazil publicly justifies its actions on the grounds 25X1
that weather conditions have prevented in-flight refueling and insists
it does not service aircraft carrying weapons. The Brazilian press
claims that 31 stopovers have occurred since last year, but a Brazilian
Air Force officer has publicly stated that landings average three a
month. Public reaction in Argentina has been intense, and the air
attache to Brazil has been withdrawn in protest. [redacted] 25X1

Comment: Brazil wants to maintain the UK's good will in
negotiations for debt restructuring, and it probably believes it has to
continue allowing at least some landings. Brasilia also may be trying
to protect its neutrality in the dispute over the Falklands. Although
Argentina needs Brazil's support for its diplomatic initiatives, growing
public pressure could force Buenos Aires to take additional retaliatory
measures to persuade Brasilia to stop its refueling assistance. [redacted] 25X1

BOLIVIA-CUBA: Possible Paramilitary Training

The recent arrest of a Bolivian who says he received military
training in Cuba may have serious repercussions for President
Siles's government, according to the US Embassy. The Bolivian
claims that four of Siles's radical advisers have been sponsoring an
undetermined number of trainees, who were to serve in a paramilitary
force controlled by the ruling party. There are no indications that the
President knew of the training. [redacted] 25X1

Comment: The incident will agitate military coup plotters, who
already are suspicious of the leftist tendencies of Siles and his
advisers. It may be partly responsible for the radical advisers'
reduced influence and for the general expectation of cabinet changes.
Such events may lead to an expansion of the ruling coalition and a
broadening of the government's political base. [redacted] 25X1

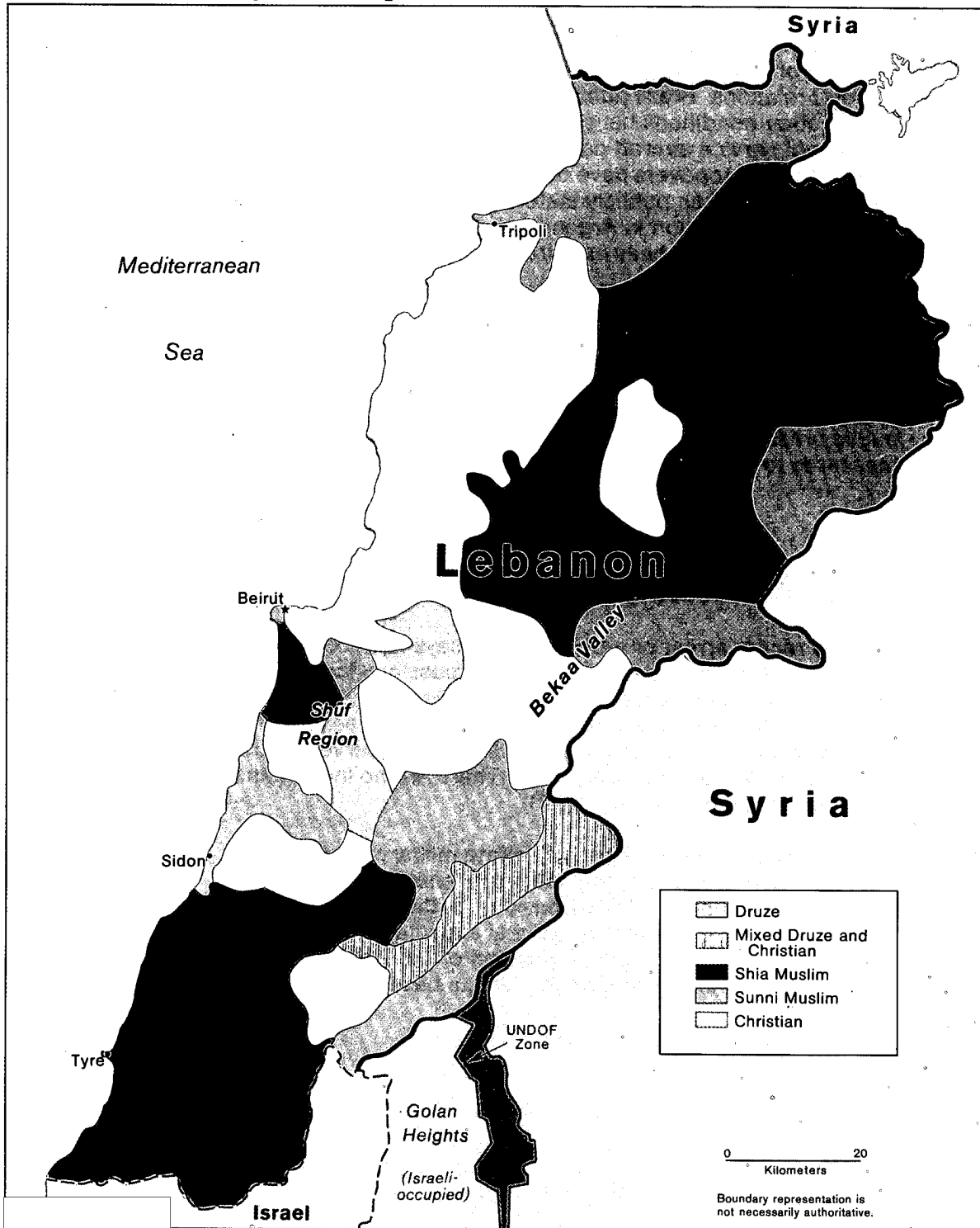
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Distribution of Religious Groups



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[redacted]

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Special Analysis

LEBANON: Gemayel's Eroding Support

Lebanon's sectarian leaders, who are increasingly convinced that partition is inevitable, are concentrating on protecting the equities of their constituencies. President Gemayel's government, moreover, has little to offer these groups to ensure their cooperation. Christian militia leaders probably will urge Gemayel to avoid political compromise and to focus on consolidation of Christian control over a truncated Lebanese state. [redacted]

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Gemayel had hoped that an agreement on troop withdrawal would persuade critics to continue cooperating with the central government. Muslim and Druze leaders, however, are beginning to dissociate themselves from Gemayel. They are preparing for the possibility of renewed factional fighting if Israel proceeds with a partial withdrawal. [redacted]

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The Druze, who are involved in a running battle with the Phalange-dominated Lebanese Forces militia for control of the Shuf area southeast of Beirut, would be most immediately affected by a partial Israeli withdrawal. Now that such a move appears likely in the near future, Druze leader Walid Junblatt apparently has become more inflexible in negotiations with Beirut on Lebanese Army deployment in the Shuf. The Druze fear that the Army will favor the Lebanese Forces operating in the region. [redacted]

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[redacted]
[redacted] Druze leaders have told US Embassy officials that their forces now hold the upper hand in the region, and they have warned of large Christian losses if fighting intensifies. [redacted]

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The Muslims

Shia leaders believe Gemayel can do little to protect their interests. Israeli troops in the south and Syrian forces in the northeast control the two major Shia population centers outside of Beirut. The Shias will become more militant and more dependent on Syrian and Iranian assistance if, in their view, the central government abandons the south to the Israelis. [redacted]

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[redacted]

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Shia leader Nabih Barri—who had refrained from active opposition to Gemayel—traveled this week to Syria, where he publicly supported Junblatt's rejectionist position. Barri probably now believes he has to appease Damascus to ensure continued Syrian support. [REDACTED]

The leadership of the important Sunni community has generally supported the central government, but some Sunnis now are casting about for new political alignments that better represent their sect's interests. A new leftist Sunni organization was formed last month, and continued divisions among Sunnis will make it more difficult for Gemayel to count on their support during future factional disputes. [REDACTED]

The Lebanese Forces

Now that a complete troop withdrawal is unlikely, Gemayel can only reassure the Druze and other non-Christian groups by successfully curbing the Lebanese Forces. Gemayel's relations with militia leaders have deteriorated, however, because he defeated their attempts to win important political posts in recent Phalange Party elections. As a result, Gemayel probably is in a weaker position to ensure the cooperation of Christian military leaders in any agreements he reaches with the Druze and Muslims. [REDACTED]

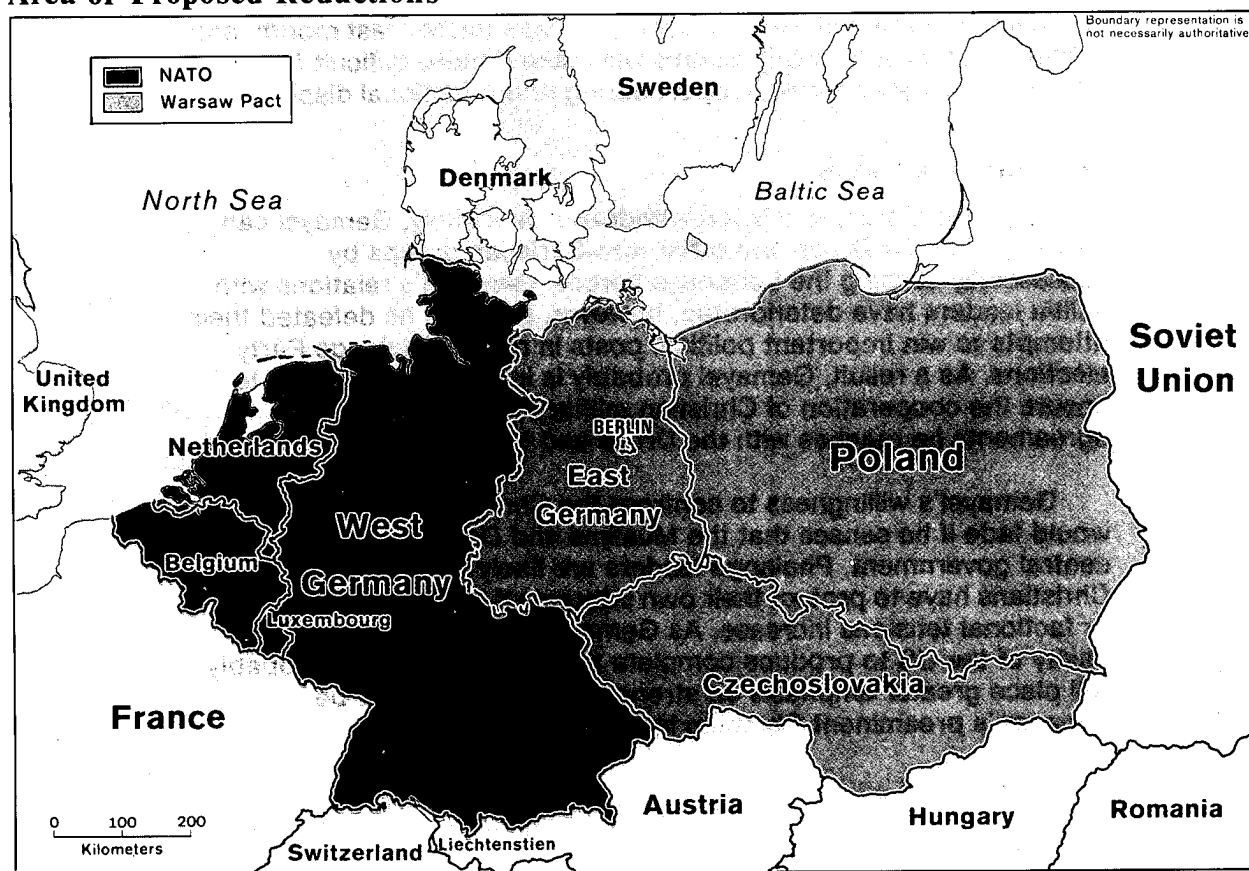
Gemayel's willingness to confront the Christian militia, however, would fade if he senses that the Muslims and Druze oppose the central government. Phalange leaders are likely to argue that Christians have to protect their own interests if Lebanon is partitioned or factional tensions increase. As Gemayel loses confidence in the ability of the US to produce complete troop withdrawal, he probably will place greater emphasis on strengthening his claim to be Lebanon's preeminent Christian leader. [REDACTED]

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Area of Proposed Reductions

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Special Analysis

USSR: Strategy on MBFR Shifting

Recent Eastern initiatives in MBFR talks in Vienna are intended to induce the West to drop its longstanding demand that both sides first agree on what existing troop levels actually are before any reductions are made. The East is suggesting it would be more flexible concerning postreduction verification measures. This new approach appears prompted by the belief that sentiment is growing within NATO that progress can be made in MBFR, perhaps by putting less emphasis on the troop data question. As a result of the Soviet initiative, the US is likely to be urged by some NATO Allies to adopt a more flexible approach to the MBFR data problem.

The East's position at MBFR has changed considerably over the past year. In February, it made a three-part proposal:

- The US and USSR should carry out reductions by "mutual example," rather than under a formal agreement, of 13,000 and 20,000 troops, respectively.
- Following these withdrawals, both sides would freeze armaments and armed forces in the reductions area.
- Collective reductions by all MBFR participants would then take place down to a common ceiling of 900,000 troops for each side, with subceilings of 700,000 for ground forces and 200,000 for air forces—naval forces are not subject to MBFR.

The Eastern draft treaty proposed on 22 June formalizes the third element of the proposal made in February and contains a number of verification provisions broadly analogous to measures proposed by the West. The draft proposes the establishment of three or four permanent checkpoints where observers would monitor forces entering and leaving the MBFR reductions area after the reductions phase of an accord had been completed.

In addition, each side would be allowed to invite observers to monitor withdrawals themselves of the "most substantial" units withdrawn. Each side would notify the other of the forces remaining in the reductions area.

If there were a dispute over compliance, each side would have the right to request on-site inspection. Such a request, however, could be denied if a "sufficiently convincing" explanation were given.

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The Timing of the Proposal

Soviet negotiators claim the revised approach is directly attributable to the visit to Vienna in early March of Colonel General Chervov, who reportedly heads a directorate in the Ministry of Defense responsible for arms control negotiations. The negotiators allege that Moscow acquired a clearer understanding of the nature of the MBFR verification problem and the corresponding need for more specific Eastern proposals on that issue. [REDACTED]

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Chervov, in a meeting with US representatives, criticized the West's position on data but said the question of the permanent checkpoints "would not be a barrier" for Moscow. He was generally negative, however, toward Western demands for on-site inspection of withdrawals and of the forces remaining. Chervov argued that a combination of national technical means, permanent checkpoints, and a consultative commission to reconcile disputes would be adequate. [REDACTED]

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Military considerations, including concern over Warsaw Pact budget limits or over NATO conventional force modernization, are unlikely to have prompted the Eastern move. Rather, the new tactics probably are partly the result of the East's perception of growing sentiment among some West European members of NATO for alternative approaches to the data obstacle. [REDACTED]

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The East has long favored a trade-off between stronger verification measures and less attention to the troop data issue—a concept that has recently received greater attention within some NATO countries, notably West Germany. The Soviets probably are aware of such sentiments within NATO, and they may view the latest Eastern proposal as a means of undermining NATO's consensus on the data issue. [REDACTED]

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Moscow in particular may hope the impression of a potential confluence of East and West European thinking on MBFR would help it undermine the NATO consensus on INF deployments. More broadly, the Soviets probably expect it will help them exploit political divergencies between the US and the European NATO Allies over general arms control strategy toward Moscow. [REDACTED]

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West European Reactions

The Soviet draft, by concluding new verification provisions, will reinforce West German and other Allied beliefs that NATO should consider alternative approaches to overcome the data obstacle. This spring officials in Bonn and London said that the USSR's acceptance of Western verification procedures should be one condition for NATO flexibility on data. [REDACTED]

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[redacted]

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A West German official reported this week that Bonn plans to present a proposal at NATO for a Western MBFR initiative some time after the current negotiating round ends. Officials in Bonn apparently believe movement at MBFR could favorably affect public opinion on INF. They also believe force reductions through MBFR will help solve the military manpower shortages West Germany will face by 1987.

[redacted]

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Despite their desire to break the MBFR negotiating deadlock, the Allies probably do not believe the new Soviet proposals will lead to a quick agreement. They remain troubled that there would be no exchange of data before reductions and that verification would occur only after reductions are made. The UK and West Germany probably also will oppose Soviet proposals to limit Air Force personnel and to freeze armaments levels.

[redacted]

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[redacted]

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